

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON
AND NORTHWESTERN RHODE ISLAND, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
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REPORT ON CONTRACT COMPLIANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

EXECUTIVE SUMMARY

Since we had no significant findings to report for the fiscal years ended June 30, 2002 and 2001, this report contains no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
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September 17, 2003

Ms. Jane A. Hayward, Interim Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 1
14 Harrington Road
Cranston, RI 02920-3080

Dear Ms. Hayward:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., for the fiscal years ended June 30, 2002 and 2001.

The results of our engagement included herein, have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations, no written response is necessary as required by Section 35-7-4 of the General Laws.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of the Center for their assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON
AND NORTHWESTERN RHODE ISLAND, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable revenue used as the basis for funding fiscal years 2004 and 2003;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON
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REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health centers to provide services to mentally disabled adults which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's administrative offices are located at 249 Roosevelt Avenue, Pawtucket, Rhode Island.

The Center owns residential property at 1974 Atwood Avenue, Johnston, R.I., housing adolescent clients of the Center. In addition, the Center owns 6 units at Woodland Estates located on Hartford Avenue, Johnston, R.I., which is used for the Center's supervised adult client apartment program.

The Center is governed by a board of directors consisting of no less than 18 and no more than 30 individuals elected at each annual meeting. The board is presently comprised of 22 members.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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Ms. Jane A. Hayward, Interim Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 1
14 Harrington Road
Cranston, RI 02920-3080

Dear Ms. Hayward:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Healthcare Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support, Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 2002 and 2001, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of excess funding by MHRH for the fiscal years ended June 30, 2002 and 2001. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Ms. Jane A. Hayward, Interim Director

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This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM

Chief, Bureau of Audits

March 28, 2003

SMC:pp

EXHIBIT A

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND
 NORTHWESTERN RHODE ISLAND, INC.
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 2002

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Total
<u>Revenues</u>				
MHRH	\$ 726,223	-	-	726,223
AGOP	109,035	113,732	-	222,767
DCYF	-	-	683,898	683,898
Substance Abuse	112,632	-	-	112,632
Other Grants and Contracts	101,784	-	-	101,784
Title XIX Medicaid	6,916,115	57,364	3,330,341	10,303,820
Municipalities	129,896	-	-	129,896
Contributions	-	-	23,629	23,629
Client Rents	106,373	-	-	106,373
Third Party Reimbursements	122,546	61,340	12,027	195,913
Program Fees	24,000	26,553	252,456	303,009
Total Revenues	\$ 8,348,604	258,989	4,302,351	12,909,944
<u>Expenses</u>				
Personnel	5,157,436	368,124	2,460,932	7,986,492
Operating	2,666,307	161,798	1,662,998	4,491,103
Purchased Equipment	137,536	-	95,891	233,427
Total Expenses	\$ 7,961,279	529,922	4,219,821	12,711,022
Excess (Deficiency) of Revenues Over Expenses	\$ 387,325	(270,933)	82,530	198,922

See accompanying notes to financial information.

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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND
 NORTHWESTERN RHODE ISLAND, INC.
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEARS ENDED JUNE 30, 2001

	Community Support Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Total
<u>Revenues</u>				
MHRH	\$ 239,259	-	-	239,259
AGOP	28,308	109,632	-	137,940
DCYF	-	-	513,660	513,660
Substance Abuse	109,632	-	-	109,632
Other Grants & Contracts	103,052	-	-	103,052
Title XIX Medicaid	6,541,586	67,041	2,639,086	9,247,713
Municipalities	126,039	1,500	4,800	132,339
Contributions	-	-	16,614	16,614
Client Rents	161,704	-	-	161,704
Third Party Reimbursements	88,798	54,326	4,193	147,317
Program Fees	28,472	31,449	244,088	304,009
Total Revenues	\$ 7,426,850	263,948	3,422,441	11,113,239
<u>Expenses</u>				
Personnel	4,588,652	211,521	1,874,407	6,674,580
Operating	2,271,307	160,217	1,397,349	3,828,873
Purchased Equipment	11,560	1,135	95,866	108,561
Total Expenses	\$ 6,871,519	372,873	3,367,622	10,612,014
Excess (Deficiency) of Revenues Over Expenses	\$ 555,331	(108,925)	54,819	501,225

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND
 NORTHWESTERN RHODE ISLAND, INC.
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
 FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

	Fiscal Year Ended June 30	
	2002	2001
<u>Beginning Balance</u>	\$ -	-
Revenues Received Designated for Programs	<u>10,303,820</u>	<u>9,247,713</u>
<u>Revenues Applied</u>		
Community Support and Related Services	6,916,115	6,541,586
Adult General Outpatient Program	57,364	67,041
Other Programs	<u>3,330,341</u>	<u>2,639,086</u>
Total Applied	<u>10,303,820</u>	<u>9,247,713</u>
<u>Ending Balance</u>	\$ <u>-</u>	<u>-</u>

See accompanying notes to financial information.

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DEPARTMENT OF MENTAL HEALTH, RETARDTION AND HOSPITALS
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND
 NORTHWESTERN RHODE ISLAND, INC.
 STATE MATCHING PROGRAM
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
 FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

	Fiscal Year Ended June 30	
	<u>2002</u>	<u>2001</u>
<u>State Funds Allocated</u>		
Adult General Outpatient Services	169,887	85,060
Community Support, Residential and Acute Alternatives	<u>169,887</u>	<u>85,060</u>
	<u>339,774</u>	<u>170,120</u>
Matchable Revenues-Fiscal Years Ended June 30, 2000 and 1999	<u>762,868</u>	<u>143,873</u>
<u>Determination of Over (Under) Payment of State Funds:</u>		
State Funds Allocated (Note 2)	339,774	170,120
Deduct lesser of:		
(a) Applicable Percentage of Matchable Revenues	339,774	170,120
(b) State Funds Allocated	339,774	170,120
Maximum Support - lessor of A or B (Note 3)	<u>339,774</u>	<u>170,120</u>
Over (Under) Payment of State Matching Funds	<u>-</u>	<u>-</u>

See accompanying notes to financial information.

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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON
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REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Healthcare Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc.

Note 3 - Maximum Support - Exhibit C

State funds allocated are subject to the lesser of the following:

- A. 118.244% of the matchable revenue for fiscal year ended June 30, 2000 and 44.539% of the matchable revenue for the fiscal year ended June 30, 1999.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

Note 4 - Other Programs - Exhibits A and B

This category represents funding from sources other than MHRH-Division of Behavioral Healthcare Services' mental health programs.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND
 NORTHWESTERN RHODE ISLAND INC.
 STATE MATCHING PROGRAM
 SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
 FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

	Fiscal Year Ended June 30	
	<u>2002</u>	<u>2001</u>
<u>State of Rhode Island</u>		
Adult General Outpatient Program	\$ 222,767	137,940
Community Support, Residential and Acute Alternatives	<u>726,223</u>	<u>239,259</u>
Total State Funds Allocated	948,990	377,199
<u>Matchable Revenues</u>		
Municipalities	129,896	132,339
Contributions	<u>23,629</u>	<u>16,614</u>
Total Matchable Revenues (For Fiscal Years Ending June 30, 2004 and 2003)	153,525	148,953
<u>Nonmatchable Revenues</u>		
Title XIX Program	10,303,820	9,247,713
Program Fees	303,009	304,009
Residential Fees	106,373	161,704
Third Party Reimbursements	195,913	147,317
Other Programs	<u>898,314</u>	<u>726,344</u>
Total NonMatchable Revenues	<u>11,807,429</u>	<u>10,587,087</u>
Total Revenues (Exhibits A & B, Respectively)	\$ <u>12,909,944</u>	<u>11,113,239</u>

:SP-27s

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON
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REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 2002 and 2001 are summarized below:

Revenue Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>2002</u>	<u>2001</u>
Community Support, Residential, and Acute Alternatives	\$ 387,325	\$ 555,331
General Outpatient Services	(270,933)	(108,925)
Other Programs	<u>82,530</u>	<u>54,819</u>
Total Revenue	<u>\$ 198,922</u>	<u>\$ 501,225</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program had excess revenues in the amounts of \$387,325 and \$555,331 for the fiscal years ended June 30, 2002 and 2001, respectively, (see Exhibits A and B). The Department of MHRH determines the use and disposition of excess revenues.

State Matching Program

It was determined that there was no over or under payment of state matching funds during the period audited. (See Exhibit D).

Matchable Revenues were examined for fiscal years ended June 30, 2002 and 2001 and are summarized as follows:

	<u>2002</u>	<u>2001</u>
Municipal Revenues	\$ 1,076,088	\$ 698,128

Funds received in the fiscal years ended June 30, 2002 and 2001 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 30, 2004 and 2003, respectively.

MHRH previously allowed Community Counseling Center, Inc., to credit matchable municipal revenues of \$922,563 and \$549,175 received in fiscal year 2002 and 2001, respectively, to its affiliate Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc. Although this transaction will increase the Center's municipal matching revenues for fiscal years 2002 and 2001, it does not impact the bottom line distribution under RIGL 40.1-8.5-3 entitled "Matchable Funds." These transferred funds were verified and will be solely used for matching purposes by MHRH and will not be a part of the financial information in this report nor will it appear in the financial statements in the Center's independent audit report. Matchable revenues appear as follows:

	<u>2002</u>	<u>2001</u>
Center's own match – per schedule of of Matchable and Nonmatchable Revenues	\$ 153,525	\$ 148,953
Transfer From Community Counseling Center, Inc.	<u>922,563</u>	<u>549,175</u>
Total Matchable Revenues	\$ <u>1,076,088</u>	\$ <u>698,128</u>

Revenue Deficiencies

It is our understanding that each contract stands on its own and that the provider absorb any expenses in excess of the contracted amounts.

During the period audited the following Division of Behavioral Healthcare Services contracts had a revenue deficiency:

2002 - Adult General Outpatient	\$ (270,933)
2001 – Adult General Outpatient	\$ (108,925)